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June 16, 2009

Members of Congress
United States House of Representatives
Washington, DC 20515

Dear Representatives:

On behalf of the Credit Union National Association (CUNA), I am writing in opposition to H.R. 2695, the "Credit Card Fair Fee Act of 2009," and H.R. 2382, the "Credit Card Interchange Fees Act of 2009." CUNA represents nearly 90 percent of America's 8,000 credit unions and their 92 million members. Credit unions oppose both measures because they would adversely impact their members' ability to pay for goods and services with credit or debit cards.

Credit union members value the debit cards and credit cards issued by their credit union. Of the 92 million credit union members nationwide, 97% belong to a credit union offering debit cards and 83% belong to a credit union offering credit cards. Debit and credit cards obtained through credit unions offer competitive rates and consumer-friendly terms. To credit unions and their members, interchange and the card payment system are important elements of financial services they rely on every day.

The payment system is a highly competitive market, evidenced by the fact that consumers have thousands of payment card options available to them, and they can use their payment card with merchants across the country and around the world. Like consumers, merchants have thousands of acquiring service providers to consider when deciding with whom to do business.

Merchants who accept payment cards benefit through reduced risks and receive immediate payment on credit and debit transactions. The ability to be paid immediately on these transactions is possible because the card-issuing bank or credit union assumes the credit risk for the transaction.

There are costs to receiving the value of the payment processing system and interchange represents the merchants' fair share of those costs. H.R. 2695 and H.R. 2382 would result in shifting the cost from merchants to consumers and, ultimately, will lead to an increase in fees and a decrease in choices for consumers who want debit and credit cards.

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H.R. 2695 – The Credit Card Fair Fee Act

H.R. 2695, which has been referred to the Judiciary Committee, would provide merchants with an anti-trust advantage to reduce the amount merchants pay to support the payment system. The merchants' legislative proposal to reduce interchange would unfairly disrupt a functioning marketplace by giving merchants an enormous competitive advantage over card-issuing credit unions in interchange negotiations. Any resulting reduction in the merchants' interchange responsibility would shift to the consumers, resulting in higher fees and reduced access to a convenient and cost-effective payment card system. If interchange fees are made artificially low by mandatory anti-trust negotiations, many credit union issuers will find their card programs operating at a deficit and leave the market.

While H.R. 2695 contains an "opt out" for credit unions in the anti-trust negotiations, the opt out would have no practical or positive affect on the ability of credit unions to offer attractive debit and credit cards. Credit unions will be forced to either meet the lower interchange fee set by the negotiations or risk that their cards will not be accepted by merchants.

H.R. 2382 – The Credit Card Interchange Fees Act

H.R. 2382, referred to the House Financial Services Committee, would provide merchants with the ability to discriminate among a consumer's cards, steer consumers to the merchant's preferred form of payment, differentiate whether the merchants will accept a consumer's card at each location of business, avoid responsibility for charge backs in excess of authorization, set debit and credit limits on a consumer's card, and direct the routing of the consumer's transaction processing.

Merchants benefit from the payment processing system, and, like H.R. 2695, this bill would disrupt the functional debit and credit card marketplace to the detriment of consumers. We are particularly concerned that this legislation would permit merchants to refuse to accept credit union payment cards while creating a strategic advantage for cards issued by other institutions.

Conclusion

The recently enacted "Credit Cardholder's Bill of Rights Act of 2009" directs the Government Accountability Office (GAO) to issue a report on interchange within six months. CUNA looks forward to the completion of the study. While we strongly oppose legislation related to interchange fees, we would ask any further consideration of interchange legislation be delayed at least until the GAO study is completed and can be reviewed by key Congressional committees. CUNA is confident the study will support the credit union position on the importance of interchange and the card payment system to America's consumers.

On behalf of America's credit unions and their 92 million members, please oppose H.R. 2382 and H.R. 2695.

Sincerely,

Daniel A. Mica
President & CEO